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SUBJECT: RUMORS OF RICE SHORTAGES SPARK GOC REACTION

Classified By: COM: Michael E. Parmly: For reasons 1.4 b/d

¶1. (C) Over the past week, rumors have spread across the island about a possible shortfall of rice. Other rumors purported that the amount of rice distributed in the ration system would be cut in half and substituted by flour. As a result, some Cubans began buying rice in bulk amounts as a precautionary measure.

¶2. (C) The GOC, apparently well aware of these concerns, announced through its official media that it will have enough rice to fulfill the requirements of the ration system for the rest of 2008. Pedro Alvarez, president of GOC food importer Alimport, responded to the rumors by stating there were 18 ships in Havana harbor stocked mostly with Vietnamese rice. Econoff, who happened to be at the port on May 29 to have his household goods inspected by Cuban customs, was told that the lack of forklifts was because they were being used elsewhere to unload rice -- "the rice from the ships." In addition, Juventud Rebelde published an article on May 30 dismissing the rumors as speculation caused by confusion and anxiety about the ongoing "world food crisis." The article also stated that the GOC plans to increase rice production over the next five years in order to reduce rice imports by 50%.

¶2. (C) Comment: The GOC has repeatedly stated its intent to ultimately do away with the ration system. One of the possible reforms being talked about is that the GOC will gradually reduce the kinds and amounts of goods in the ration system, as well as the number of people entitled to receive them. It is plausible that the GOC may be ready to take the first steps toward reforming the ration system, but Cubans, who already must fend for themselves to buy two thirds of the food they eat outside the subsidized rations, seem anxious about the impending possibility of having to buy the remaining one third in a market with rising prices and stagnant wages.

PARMLY